

OCT 21 1953

MEMORANDUM FOR: Acting Deputy Director (Administration)

ATTENTION :

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SUBJECT : Unliquidated Contract Obligations Against Fiscal
Year 1951 Unvouchered Funds as of 30 June 1953

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25X1A9A Reference is made to the transmittal slip from Mr. [] dated 28 September 1953, requesting comments on the memorandum from the Deputy Comptroller to the Acting Deputy Director (Administration), dated 22 September 1953, above subject. This memorandum requested approval of, and discussed the necessity for using FY 1953 funds for carrying FY 1951 unliquidated contractual obligations which could not be liquidated prior to 30 June 1953, the date when FY 1951 appropriated funds lapsed.

2. Situations requiring this type of financial action will continue to arise where more time is needed for completion of contracts than allowed by the three-year limitation of availability of annual appropriations.

3. Principally because of the sensitive and peculiar types of products for which Agency production contracts are negotiated, the following factors often necessitate extension of the contract completion date:

a. Technical difficulties -- Especially true where changes in specifications are required to meet new requirements often generated by revision of operational plans.

b. Approval of prototype -- This is particularly pertinent where research and development contracts are coupled with production contracts. Delays in approval of prototypes necessitate setting back planned delivery schedules.


c. Shortage of critical materials -- This can readily be a delaying factor in light of the fact that some contracts provide for the production of highly specialized equipment requiring the availability of materials in short supply.

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4. Inasmuch as situations will continue to arise necessitating fiscal actions such as those for which approval was requested in the basic correspondence, it would appear that it is necessary for the Agency to have some legitimate means for overcoming this recurring problem. Making funds available to the Agency on a no-year limitation basis would, of course, negate this problem. Recommendations for legislative action being prepared by this Office include the proposal that the Agency's funds be made available through a continuing appropriation. Should it not be feasible to secure approval for a no-year limitation appropriation, then it may be possible to have legislation enacted authorizing that the Agency's annual appropriation be made available for expenditure for four additional years after the appropriation year. Such authorization would provide two additional years as contrasted with the present availability of two years after the appropriation year. A precedent for such legislation exists (Act of August 1, 1946, 60 Stat. 779, 5 U.S.C. 475) in the annual appropriations made to the Office of Naval Research, Department of the Navy, for research programs.

5. There are a number of other factors which have a direct bearing on the proposal to have the Agency's funds placed on a no-year limitation basis. It is understood that the Office of the Comptroller has for some time had this proposal under study and has prepared recommendations and justifications for removing fiscal year limitations on Agency appropriated funds with a view to improving budgetary and financial administration.

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JAMES A. GARRISON
Chief of Logistics

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